



Timothy P. Cahill
Treasurer and Receiver General

The Commonwealth of Massachusetts
Department of the State Treasurer
State House
Boston, Mass. 02133

December 31, 2008

Dear Senator/Representative,

This correspondence will provide you with the most current and accurate information available regarding the Massachusetts State Lottery's operations and expenditures. Despite recent media reports, I want to stress that our Lottery is the most successful and efficient Lottery in the nation. The Lottery enjoyed its best year ever in fiscal 2008 with sales of more than \$4.7 billion on operating expenses of just 2.2 percent of our budget.

Over the past six years, we have grown the business more than a half a billion dollars while keeping expenditures under control. Our administrative costs have grown by \$33 million during this period, but nearly all of the costs are the results of necessary business expenditures or fixed costs outside the Lottery's control.

Included with this letter please find a detailed spreadsheet on Lottery administrative costs during my tenure. Several items that have increased deserve to be highlighted and explained in more detail:

- Advertising expenditure grew from almost nothing to \$10 million to foster growth and protect our market share.
- Computer infrastructure investments required an additional \$9.5 million to maintain proper communication links with our 7,500 agents, including replacing 15-year-old telecommunication technology with modern data cables.
- The Lottery spent \$5.1 million more to print its instant tickets and other products because sales jumped by \$500 million.
- Collectively-bargained union contracts also increased Lottery cost by \$5.3 million.

The Massachusetts State Lottery maintains a fleet of American-made vehicles to service our agents from Provincetown to Pittsfield. The Lottery has replaced 75 vehicles during the last three years, but our overall number of vehicles has dropped from 128 to 118. Research and analysis has proven that maintaining a fleet of cars is more cost effective than reimbursing employees to drive their private automobiles.

The Lottery has also contained cost by keeping its workforce numbers in check while growing the business. The number of employees has dropped from 431 in 2001 to 424 today, even though we have dramatically improved our service, sales and asset protection departments. With the assistance of the Division of Capital Asset Management, the Lottery has also been able to negotiate taxpayer-friendly leases at our regional offices, Braintree headquarters and other facilities. Our landlord paid for improvements to our headquarters while our lease costs increased from \$11.74 per square foot to \$15.18 per square foot.

At the Massachusetts State Lottery, we continue to look for opportunities to raise much-needed revenue for our 351 cities and towns while keeping a close watch on costs. In an effort to provide both you and your constituents with the utmost transparency regarding the Lottery's administrative expenditures, I have enclosed a detailed accounting of our expenses over the last five fiscal years. If you have any questions, feel free to contact me at (617) 367-6900.

Sincerely,

Timothy P. Cahill
Treasurer and Receiver General

[MSLC Administration Expense History Spreadsheet](#)
[MSLC Administration Expense History](#)